



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CLAY COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CLAY COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Clay County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Revenue decreased from the prior year by \$29,654 and disbursements increased by \$25,120. Excess fees decreased by \$54,774. The decrease in revenues was the result of only one tax collection cycle during 2000 calendar year while there were two tax collection cycles during the prior year. This resulted in more commissions earned in the prior year.

Report Comments:

- The Sheriff Should Present His Annual Financial Statement To The Fiscal Court For Approval

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable James Garrison, Clay County Judge/Executive
Honorable Edward Jordan, Clay County Sheriff
Members of the Clay County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Clay County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable James Garrison, Clay County Judge/Executive
Honorable Edward Jordan, Clay County Sheriff
Members of the Clay County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Present His Annual Financial Statement To The Fiscal Court For Approval

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 21, 2002

CLAY COUNTY
EDWARD JORDAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants:

Kentucky Justice Cabinet Grant	\$	4,906
--------------------------------	----	-------

State Grants:

Kentucky Law Enforcement Foundation Program Fund		14,768
--	--	--------

State Fees For Services:

Finance and Administration Cabinet	\$ 16,255	
Bank Shares	5,602	21,857

Circuit Court Clerk:

Sheriff Security Service	\$ 10,949	
Fines and Fees Collected	4,929	
Serving Papers	290	16,168

Fiscal Court

48,467

County Clerk - Delinquent Taxes

2,556

Commission On Taxes Collected

98,751

Fees Collected For Services:

Auto Inspections	\$ 8,030	
Accident and Police Reports	177	
Serving Papers	14,260	
Fees Collected On Taxes	29,127	51,594

Other:

Dog Licenses	\$ 114	
Conveying Juveniles	6	
Election Commissions	325	
Transporting Mental Patients	2,995	
Carrying Concealed Deadly Weapon Permits	12,032	
Miscellaneous	2,346	17,818

CLAY COUNTY
EDWARD JORDAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Receipts (Continued)

Interest Earned	\$	2,870
Borrowed Money:		
State Advancement		<u>14,000</u>
Total Receipts	\$	293,755

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	119,177
Kentucky Justice Cabinet Grant		4,906
Grant Account Reimbursement		1,000

Employee Benefits-

Employer's Share Social Security		14,190
----------------------------------	--	--------

Contracted Services-

Advertising		968
Vehicle Maintenance and Repairs		13,572

Materials and Supplies-

Office Materials and Supplies		3,923
Uniforms		2,991
Bookkeeping Services		7,200
Computer Services		3,103

Auto Expense-

Gasoline and Repairs		16,867
----------------------	--	--------

Other Charges-

Conventions and Travel		1,380
Dues		348
Postage		2,046
Insurance		2,973
Miscellaneous		4,085
Bank Fees		35
Carrying Concealed Deadly Weapon Permits		7,945
Evidence		407
Equipment Lease		1,033

CLAY COUNTY
EDWARD JORDAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges- (Continued)

Returned Checks	\$	2	
Rent		320	
Dog Licenses		<u>39</u>	\$ 208,510

Debt Service:

State Advancement		<u>14,000</u>	
-------------------	--	---------------	--

Total Disbursements		<u>\$ 222,510</u>	
---------------------	--	-------------------	--

Net Receipts	\$	71,245	
--------------	----	--------	--

Less: Statutory Maximum		<u>63,542</u>	
-------------------------	--	---------------	--

Excess Fees Due County for Calendar Year 2000	\$	<u><u>7,703</u></u>	
---	----	---------------------	--

The accompanying notes are an integral part of the financial statement.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and the 7.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Kentucky Justice Cabinet Grants

A. Grant No. LLEB-183-1/99

During calendar year 2000, the sheriff received a pass-through grant from the Clay County Fiscal Court in the amount of \$5,556. This grant consists of \$5,000 from the Kentucky Justice Cabinet and matching funds totaling \$556 from the Clay County Fiscal Court. Terms of the grant agreement stipulate that funds must be expended by March 13, 2002, and are to be used to pay law enforcement overtime wages. During calendar year 2000, the sheriff expended \$4,906 from the grant account. As of December 31, 2000, the grant account is due a \$1,000 receivable from the fee account. Therefore, the grant balance is \$1,650 as of December 31, 2000.

B. Grant No. LLEB-283-2/01

During calendar year 2000, the sheriff received a pass-through grant from the Clay County Fiscal Court in the amount of \$5,556. This grant consists of \$5,000 from the Kentucky Justice Cabinet and matching funds totaling \$556 from the Clay County Fiscal Court. Terms of the grant agreement stipulate that funds must be expended by September 30, 2002, and are to be used to pay law enforcement overtime wages. During calendar year 2000, the sheriff did not expend any grant receipts. Therefore, the grant balance is \$5,556 as of December 31, 2000.

Note 5. Drug Account

The Sheriff has a drug account at First National Bank. During 2000 calendar year, the Sheriff received \$2,339 and disbursed \$1,376 leaving a balance of \$963 on December 31, 2000.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

CLAY COUNTY
EDWARD JORDAN, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Present His Annual Settlement To The Fiscal Court For Approval

The Sheriff did not present his annual settlement to the Fiscal Court for approval. According to KRS 134.310 (5)(b) in counties having a population of less than seventy thousand (70,000) the sheriff shall file annually with his final settlement a complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. The settlement shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810. We recommend the Sheriff present his annual settlement to the fiscal court for approval.

Sheriff's Response:

We thought we presented the settlement to the Fiscal Court.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable James Garrison, Clay County Judge/Executive
Honorable Edward Jordan, Clay County Sheriff
Members of the Clay County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Clay County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated June 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Clay County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The Sheriff Should Present His Financial Settlement To The Fiscal Court For Approval

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clay County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 21, 2002

